

The Trust 10

Healthcare Institutional Investors

01 The pandemic has increased attractiveness of the healthcare sector for investors.

Seventy eight percent (78%) of investors have increased their allocation in healthcare. Further, investors say all healthcare sub-sectors have become more attractive since the COVID-19 pandemic, especially pharmaceutical / specialty pharmaceutical (75%) and medical devices / healthcare equipment and supplies (70%).

02 Post-pandemic, greater innovation is expected from healthcare companies at a faster pace.

Eighty seven percent (87%) of investors agree the pandemic proved that healthcare companies are able to innovate faster than they have historically. Eighty three percent (83%) also agree healthcare companies will accelerate digital transformation as long as COVID-19 persists.

03 Move over digital health – companies offering “frontline services” benefitted the most from increased allocation in the past year.

While the pandemic fueled digital transformation, investors increased their allocation at a greater rate in frontline services such as devices, equipment, and supplies (47%); pharmaceutical / specialty pharmaceutical (45%); and health and hospital systems (40%) than in digital health (36%).

04 Treatment and technology advancement drives investor value in healthcare.

Investors overwhelmingly tie treatment advancements (77%), technological advancements and innovation (76%), and the application of new technologies, such as artificial intelligence and machine learning (76%), to their positive financial outlook of the healthcare industry.

05 Investors must trust the Board nearly as much as the CEO when making investment decisions.

A majority of investors surveyed (82%) need to trust a healthcare company's Board of Directors before making an investment decision, while 87% say they need to trust the CEO.

06 Healthcare investors favor clear vision and leadership.

When assessing healthcare assets, 69% of investors say strong leadership and a clear vision for the future are most important in building their trust in a healthcare company, second only to financial performance.

07 Investors expect healthcare companies to be purpose-driven.

An overwhelming majority (84%) of investors must trust that a healthcare company is taking proactive action to have a positive impact on society, and likewise, 82% must trust the company is proactively prioritizing ESG practices, before making or recommending an investment.

08 Investors expect strong ESG performance in healthcare and those who successfully execute against mandates command a premium valuation.

Seventy three percent (73%) of investors won't invest in healthcare companies without ESG mandates, and 81% believe those with strong ESG performance deserve premium valuation. Likewise, 79% say healthcare companies that prioritize ESG represent better opportunities for long-term returns.

09 Healthcare companies are seen as having poor communication with investors.

More than two-thirds of investors (68%) say healthcare companies have historically communicated poorly, and a majority (61%) believe that most healthcare companies are unprepared to communicate effectively.

10 Investors use multiple sources to assess potential healthcare investments.

A healthcare company's website, investment portfolio, ESG report, IR website, and financial filings are among investors' most relied upon sources of information.